

CITY OF WENDOVER
Financial Statements - June 30, 2006
(With Auditors' Report Thereon)

CITY OF WENDOVER

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Independent Auditors' Report

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wendover, as of, and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wendover as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2006 on our consideration of the City of Wendover's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crane, Christensen & Ambrose P.C.

November 15, 2006

WENDOVER CITY, UTAH
Management's Discussion and Analysis
For fiscal year ending June 30, 2006

INTRODUCTION

The following is a discussion and analysis of Wendover City's financial performance and activities for the fiscal year ending June 30, 2006. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements. As a result, these reports will include a more extensive prior year comparison

HIGHLIGHTS

There was one new commercial entity functioning in 2006. The remaining commercial growth was typical. Vendor participation and most of that business was of a temporary nature. Commercial sign advertisement made improvements or modifications. There were two new residential building permits issued in fiscal year 2005/2006. The Tooele School District built a new baseball field west of the High school and has plans to build a soccer/track field in the next couple of years. Part of Airport Way was resurfaced to accommodate truck traffic.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets, and 2) the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities).

Wendover City's business type activities include water, sewer and garbage operations.

The fund financial statements provide detailed information about individual mayor funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Wendover City uses one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Wendover City has one enterprise fund in which it accounts for its water, sewer, and garbage services.

Differences between Government-Wide and Fund Statements

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Certain tax revenues that are earned but yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements.

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 69.6 percent, reflects investment in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 5.1 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 25.3 percent of net assets are unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

CITY OF WENDOVER, UTAH
Statement of Net Assets
Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2006	2005	2006	2005
Current and Other Assets	668,875	567,998	1,130,269	1,110,643
Capital Assets (Net)	280,974	310,339	7,058,965	7,199,677
Total Assets	949,849	878,337	8,189,234	8,310,320
Liabilities	73,449	80,664	3,256,525	3,360,983
Total Liabilities	73,449	80,664	3,256,525	3,360,983
Net Assets				
Invested in Capital Assets, Net of Related Debt	219,696	235,785	3,820,913	3,929,050
Restricted	204,183	191,814	92,178	52,140
Unrestricted	452,521	370,074	1,019,618	968,147
Total Net Assets	876,400	797,673	4,932,409	4,949,337

CITY OF WENDOVER, UTAH

Changes in Net Assets Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2006	2005	2006	2005
Program Revenues				
Charges for Services	240,474	222,310	638,448	631,363
Operating Grants & Contributions	158,641	208,473		
Capital Grants & Contributions	105,000	53,899	52,110	1,788,216
General Revenues				
Property Taxes	204,015	197,443		
Sales Tax	167,156	177,372		
Franchise Tax	65,560	77,326		
Other Revenues	95,055	105,717	-40,727	-67,131
Total Revenues	<u>1,035,901</u>	<u>1,042,540</u>	<u>649,831</u>	<u>2,352,448</u>
Expenses				
General Government	326,834	311,605		
Public Safety	456,554	431,506		
Public Works	154,899	75,174		
Miscellaneous Services	18,887	17,010		
Public Utilities			666,459	541,363
Total Expenses	<u>957,174</u>	<u>835,295</u>	<u>666,459</u>	<u>541,363</u>
Increase in Net Assets before Transfers	<u>78,727</u>	<u>207,245</u>	<u>-16,628</u>	<u>1,811,085</u>
Change in Net Assets	<u>78,727</u>	<u>207,245</u>	<u>-16,628</u>	<u>1,811,085</u>
Net Assets Beginning	<u>797,673</u>	<u>590,428</u>	<u>4,949,337</u>	<u>3,138,252</u>
Net Assets Ending	<u>876,400</u>	<u>797,673</u>	<u>4,932,709</u>	<u>4,949,337</u>

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$ 78,727 for the year. Chart 1, showed by percentage the related net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

Governmental Activities Net Uses

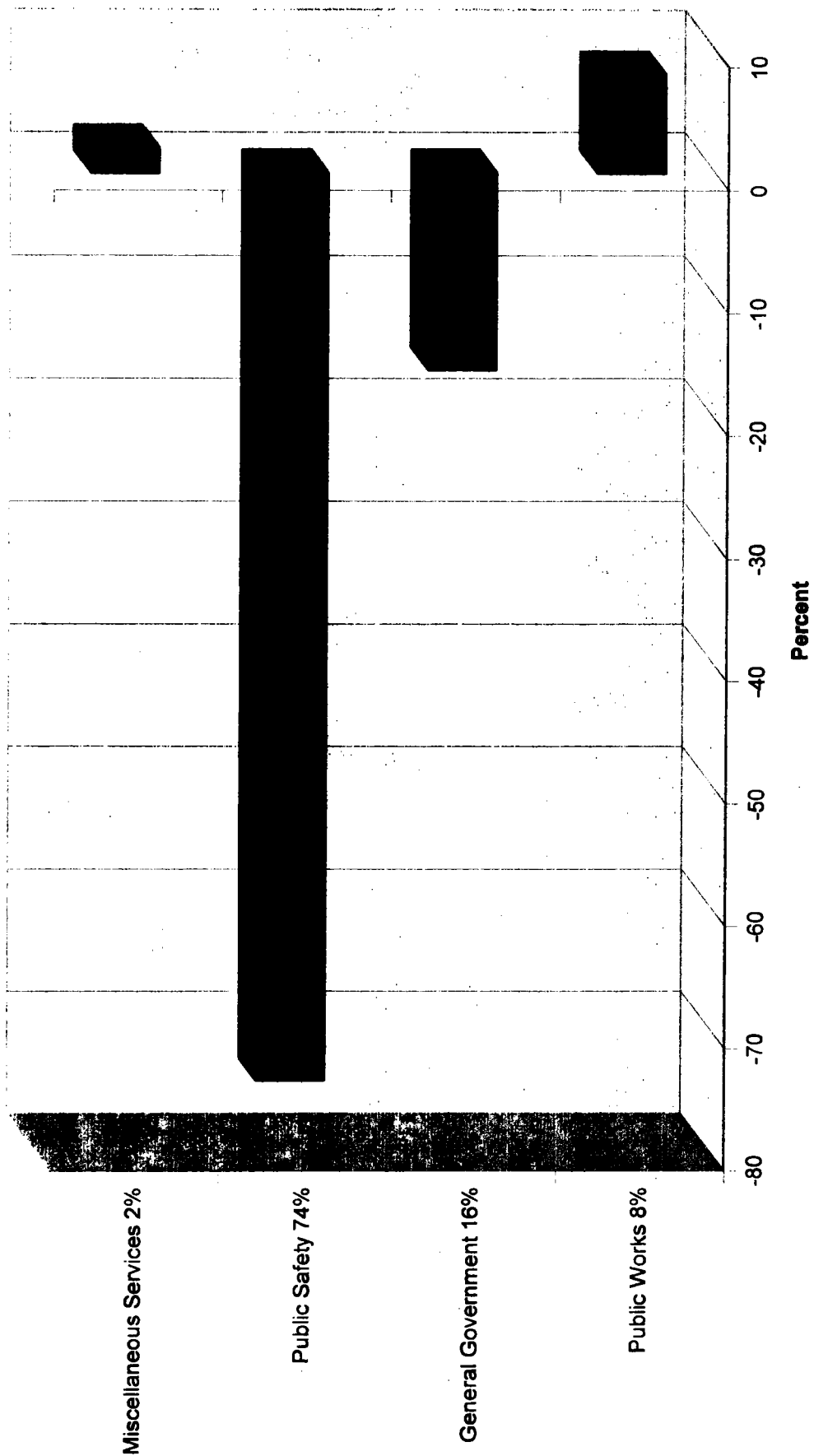


CHART 1

The Table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$504,115 or 53% of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 47%.

Activities	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expenses
General Government	\$ 326,834	\$ 239,346	\$ 87,488	73.2%
Public Safety	\$ 456,554	\$ 43,545	\$ 413,009	9.5%
Public Works	\$ 154,899	\$ 201,224	(\$ 46,325)	129.9%
Miscellaneous Services	\$ 18,887	\$ 20,000	(\$ 1,113)	105.9%
Totals	\$ 957,174	\$ 504,115	\$ 453,059	52.7%

Business-Type Activities

The Business -Type activities (water, sewer, and garbage) are generating sufficient revenue to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Wendover City added \$70, 291 in new capital assets in governmental activities during the fiscal year - \$41,187 in Buildings and structures and \$29,104 in machinery and equipment.

Wendover City added \$69,548 in new assets in business-type activities during the fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

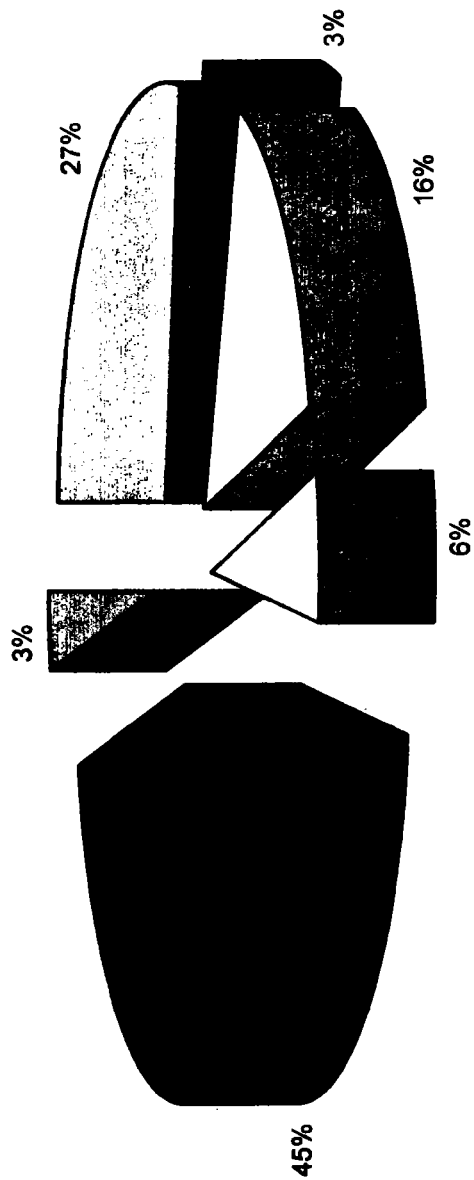
At June 30, 2006, Wendover City's governmental funds reported combined fund balances of \$488,867. Of this amount \$167,837 or 34.4 percent is reserved for specific purposes and projects. The remaining \$321,030 or 65.6 percent is unreserved.

General Fund

During 2006, the fund balance in the general fund increased by \$91,414 most of that being unreserved. Taxes decreased \$15,410 or 3.4 percent from previous year, with most of the decrease, \$11,766 being franchise fees. Total general fund revenue was up \$11,800 or 1.2 percent. Total general fund expenditures (excluding transfers) were up \$28,866 or 3.2 percent

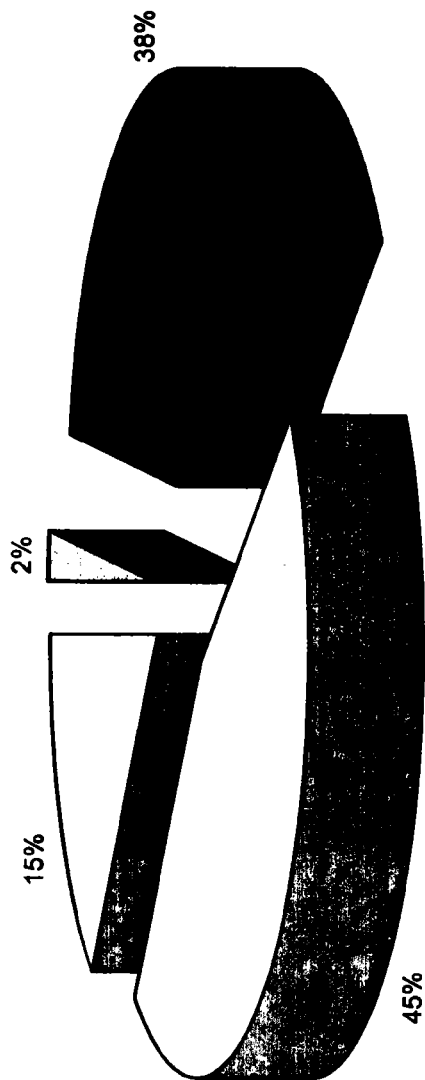
General Fund Revenue Sources

Intergovernmental	27%
Charges for Services	3%
Fines and Forfeitures	16%
Other Revenues	6%
Taxes	45%
Licenses and Permits	3%



General Fund Expenditures

- Miscellaneous Services 2%
- General Government 38%
- Public Safety 45%
- Public Works 15%



General Fund Budgetary Highlights

Wendover City prepares its budget according to state statutes. The most significant budget is the General Fund. The City amended the General Fund budget 5 times during the year to meet the needs of the departments as issues arose. The budget remained status-quo for the year.

Actual General Fund revenues were \$177,877 or 22.7 percent above the original budget. Actual expenditures were \$139,752 or 12.9 percent below the original budget. The City was not required to draw upon existing fund balance in the General Fund this year to cover its expenditures.

Enterprise Funds

The combined change in net assets of the enterprise fund shows an decrease of (\$16,628) or 0.34 percent from the previous year.

OTHER MATTERS

Current and Future Projects

The City is in process of modernizing the fire station. The funding is through the CDBG. The City has been awarded funding from the UDOT to complete the "safe sidewalk" project along Wendover Blvd. This should be the last phase of the "safe sidewalk" projects. Plans are being made to construct an additional I-80 interchange on Aria Blvd. The funding for the project is from a private entity. Additional funding has been applied for through the CDBG for infrastructure improvements.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Wendover City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to :

Glenn Wadsworth
City Administrator
P.O. Box 430
Wendover, Utah 84083

CITY OF WENDOVER

Statement of Net Assets

June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 662,601	931,388	1,593,989
Accounts receivable	6,274	60,271	66,545
Supplies inventory	-	24,705	24,705
Investment in water board	-	85,887	85,887
Bond issue costs	-	28,018	28,018
Capital assets:			
Land and related non-depreciable assets	9,119	80,587	89,706
Depreciable infrastructure	98,964	-	98,964
Buildings, equipment, and other depreciable assets	1,069,365	8,778,430	9,847,795
Less accumulated depreciation	(896,474)	(1,800,052)	(2,696,526)
Total capital assets	280,974	7,058,965	7,339,939
Total assets	949,849	8,189,234	9,139,083
Liabilities:			
Accounts payable and accrued liabilities	12,171	4,831	17,002
Customer deposits	-	13,642	13,642
Non-current liabilities:			
Due within one year	13,989	31,402	45,391
Due in more than one year	47,289	3,206,650	3,253,939
Total liabilities	73,449	3,256,525	3,329,974
Net assets:			
Invested in capital assets, net of related debt	219,696	3,820,913	4,040,609
Restricted for:			
Debt requirements	-	92,178	92,178
Class C roads	101,800	-	101,800
Room tax	65,172	-	65,172
Drug enforcement	865	-	865
Cemetery operations	36,346	-	36,346
Unrestricted	452,521	1,019,618	1,472,139
Total net assets	\$ 876,400	4,932,709	5,809,109

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Activities

Year Ended June 30, 2006

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 326,834	198,827	40,519	-
Public safety	456,554	41,647	1,898	-
Public works	154,899	-	96,224	105,000
Miscellaneous services	18,887	-	20,000	-
Total governmental activities	<u>957,174</u>	<u>240,474</u>	<u>158,641</u>	<u>105,000</u>
Business-type:				
Public utilities	666,459	638,448	-	52,110
Total business-type activities	<u>666,459</u>	<u>638,448</u>	<u>-</u>	<u>52,110</u>
Total primary government	<u>1,623,633</u>	<u>878,922</u>	<u>158,641</u>	<u>157,110</u>

General revenues:

Property tax

Sales tax

Franchise tax

Total taxes

Other general revenues:

Miscellaneous

Transfers - internal activities

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
(87,488)	-	(87,488)
(413,009)	-	(413,009)
46,325	-	46,325
<u>1,113</u>	<u>-</u>	<u>1,113</u>
<u>(453,059)</u>	<u>-</u>	<u>(453,059)</u>
<u>-</u>	<u>24,099</u>	<u>24,099</u>
<u>-</u>	<u>24,099</u>	<u>24,099</u>
<u>(453,059)</u>	<u>24,099</u>	<u>(428,960)</u>
204,015	-	204,015
167,156	-	167,156
<u>65,560</u>	<u>-</u>	<u>65,560</u>
<u>436,731</u>	<u>-</u>	<u>436,731</u>
25,055	29,273	54,328
<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
<u>95,055</u>	<u>(40,727)</u>	<u>54,328</u>
<u>531,786</u>	<u>(40,727)</u>	<u>491,059</u>
78,727	(16,628)	62,099
<u>797,673</u>	<u>4,949,337</u>	<u>5,747,010</u>
<u>\$ 876,400</u>	<u>4,932,709</u>	<u>5,809,109</u>

CITY OF WENDOVER

Balance Sheet
Governmental Funds

June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Cemetery Special Revenue</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 626,255	36,346	662,601
Accounts receivable (note 3)	<u>6,274</u>	<u>-</u>	<u>6,274</u>
	<u>\$ 632,529</u>	<u>36,346</u>	<u>668,875</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ <u>12,171</u>	<u>-</u>	<u>12,171</u>
Total liabilities	<u>12,171</u>	<u>-</u>	<u>12,171</u>
Fund balances:			
Fund balance reserved for: (note 1)			
Class C roads	101,800	-	101,800
Room tax	65,172	-	65,172
Drug enforcement	865	-	865
Fund balance unreserved	<u>452,521</u>	<u>36,346</u>	<u>488,867</u>
Total fund balances	<u>620,358</u>	<u>36,346</u>	<u>656,704</u>
	<u>\$ 632,529</u>	<u>36,346</u>	<u>668,875</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total fund balance - governmental funds		\$ 656,704
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds.		
These assets consist of:		
Land and related non-depreciable assets	\$ 9,119	
Depreciable infrastructure	98,964	
Buildings, equipment, and other depreciable assets	1,069,365	
Accumulated depreciation	<u>(896,474)</u>	
Total capital assets		280,974
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Those liabilities consist of:		
Leases payable	<u>(61,278)</u>	
Total long-term debt		<u>(61,278)</u>
Total net assets - governmental activities		\$ <u>876,400</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General Fund	Cemetery Special Revenue	Total Governmental Funds
Revenues:			
Taxes	\$ 436,731	-	436,731
Licenses and permits	32,012	-	32,012
Intergovernmental	263,641	-	263,641
Charges for services	22,411	3,225	25,636
Fines and forfeitures	154,326	-	154,326
Other revenues	52,860	695	53,555
Total revenues	<u>961,981</u>	<u>3,920</u>	<u>965,901</u>
Expenditures:			
Current:			
General government	359,101	-	359,101
Public safety	420,628	-	420,628
Public works	142,469	-	142,469
Miscellaneous services	18,369	518	18,887
Total expenditures	<u>940,567</u>	<u>518</u>	<u>941,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,414</u>	<u>3,402</u>	<u>24,816</u>
Other financing sources (uses):			
Transfers in	70,000	-	70,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Net changes in fund balances	91,414	3,402	94,816
Fund balances - beginning of year	<u>528,944</u>	<u>32,944</u>	<u>561,888</u>
Fund balances - end of year	<u>\$ 620,358</u>	<u>36,346</u>	<u>656,704</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

Net change in fund balance - total governmental funds	\$ 94,816
Amount reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures (\$70,292). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$99,656). Depreciation exceeded capital outlay for the period.	(29,364)
Government funds report changes on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities.	
Payments on capital leases	<u>13,275</u>
Changes in net assets of governmental activities	\$ <u><u>78,727</u></u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Net Assets Proprietary Funds

June 30, 2006

	Business-Type Activities - Utility Enterprise Fund
Assets:	
Cash	\$ 931,388
Accounts receivable	60,271
Inventory of supplies	24,705
Improvements	8,508,871
Machinery and equipment	350,146
Accumulated depreciation	(1,800,052)
Investment in water board	85,887
Bond issue costs, net of accumulated amortization	28,018
Total assets	<u>8,189,234</u>
Liabilities:	
Bonds payable	3,238,052
Accounts payable	4,831
Customer deposits	13,642
Total liabilities	<u>3,256,525</u>
Net assets:	
Invested in capital assets, net of related debt	3,820,913
Restricted	92,178
Unrestricted	1,019,618
Total net assets	<u>\$ 4,932,709</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2006

	Business-Type Activities - Utility Enterprise Fund
Operating revenues:	
Charges for services	\$ 638,448
Miscellaneous	6,088
Total operating revenues	<u>644,536</u>
Operating expenses:	
Personnel services	170,359
Contractual services	140,804
Materials and supplies	121,995
Depreciation	210,259
Total operating expenses	<u>643,417</u>
Operating income	<u>1,119</u>
Non-operating revenues (expenses):	
Intergovernmental	52,110
Interest revenue	23,185
Interest expense	(21,964)
Bond issuance costs	(1,078)
Total non-operating revenues (expenses)	<u>52,253</u>
Income before contributions and transfers	53,372
Transfers (out)	<u>(70,000)</u>
Change in net assets	(16,628)
Net assets - beginning of year	<u>4,949,337</u>
Net assets - end of year	<u>\$ 4,932,709</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2006

	Business-Type Activities - Utility Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 636,139
Cash received from other activities	6,088
Cash payments for payroll and benefits	(170,359)
Cash payments for goods and services	<u>(341,366)</u>
Net cash provided by operating activities	<u>130,502</u>
Cash flows from investing activities:	
Interest earned on cash deposits	<u>23,185</u>
Net cash provided by investing activities	<u>23,185</u>
Cash flows from noncapital financing activities:	
Transfers out	<u>(70,000)</u>
Net cash used by noncapital financing activities	<u>(70,000)</u>
Cash flows from capital and related financing activities:	
Capital grants	52,110
Cash payments for capital assets	(69,548)
Interest paid	(21,964)
Payment on debt	<u>(32,575)</u>
Net cash used for capital and related financing activities	<u>(71,977)</u>
Net increase in cash and cash equivalents	11,710
Cash and cash equivalents - beginning of year	<u>919,678</u>
Cash and cash equivalents - end of year	<u>\$ 931,388</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 1,119
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	210,259
Increase in inventory	(4,189)
Increase in accounts receivable	(4,804)
Decrease in accounts payable	(74,378)
Increase in customer deposits	<u>2,495</u>
Net cash provided by operating activities	<u>\$ 130,502</u>

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Wendover is incorporated under the laws of the State of Utah as provided by both constitution and statute. The City operates under a Mayor-Council form of government, the council being comprised of five elected members serving as part-time legislators and administrators. The government provides the following services: public safety, public health, streets and highways, recreation, economic development, planning and zoning and general administrative services. The financial statements of the City of Wendover have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Wendover (the primary government). The City has no component units.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

Governmental Fund Types:

The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City operates its cemetery as a special revenue fund.

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its utility fund as an enterprise fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the motor pool to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the City of Wendover Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, three supplemental amendments were made to the City's general fund budget in the amount of \$196,615.

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

E. Inventory

Inventory is stated at cost determined by FIFO method.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Water and sewer systems	40 years
Equipment and machinery	5-15 years
Other improvements	10-30 years
Infrastructure	10-30 years

G. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue, transient room tax revenue and drug enforcement revenue.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the City of Wendover are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(2) Deposits and Investments - Continued

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were \$493,579, of which \$393,579 were uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>1,098,686</u>	55 days*	not rated
*Weighted-average maturity			

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City's utility accounts receivable are reported net of an allowance for doubtful accounts in the amount of \$3,172.

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(4) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 9,119	-	-	9,119
Total	<u>9,119</u>	<u>-</u>	<u>-</u>	<u>9,119</u>
Capital assets being depreciated:				
Buildings and other structures	148,714	41,187	-	189,901
Machinery and equipment	363,786	29,104	-	392,890
Autos and trucks	486,574	-	-	486,574
Infrastructure	98,964	-	-	98,964
Total	<u>1,098,038</u>	<u>70,291</u>	<u>-</u>	<u>1,168,329</u>
Less accumulated depreciation for:				
Buildings and other structures	(118,555)	(2,538)	-	(121,093)
Machinery and equipment	(281,370)	(45,437)	-	(326,807)
Autos and trucks	(357,307)	(31,889)	-	(389,196)
Infrastructure	(39,586)	(19,792)	-	(59,378)
Total	<u>(796,818)</u>	<u>(99,656)</u>	<u>-</u>	<u>(896,474)</u>
Capital assets being depreciated, net	<u>301,220</u>	<u>(29,365)</u>	<u>-</u>	<u>271,855</u>
Governmental activity capital assets, net	<u>\$ 310,339</u>	<u>(29,365)</u>	<u>-</u>	<u>280,974</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 80,587	-	-	80,587
Construction in progress	<u>6,243,487</u>	<u>69,548</u>	<u>6,313,035</u>	<u>-</u>
Total	<u>6,324,074</u>	<u>69,548</u>	<u>6,313,035</u>	<u>80,587</u>
Capital assets being depreciated:				
Machinery and equipment	350,146	-	-	350,146
Improvements	<u>2,115,249</u>	<u>6,313,035</u>	<u>-</u>	<u>8,428,284</u>
Total	<u>2,465,395</u>	<u>6,313,035</u>	<u>-</u>	<u>8,778,430</u>
Less accumulated depreciation for:				
Machinery and equipment	(345,056)	(1,895)	-	(346,951)
Improvements	<u>(1,244,736)</u>	<u>(208,365)</u>	<u>-</u>	<u>(1,453,101)</u>
Total	<u>(1,589,792)</u>	<u>(210,260)</u>	<u>-</u>	<u>(1,800,052)</u>
Capital assets being depreciated, net	<u>875,603</u>	<u>6,102,775</u>	<u>-</u>	<u>6,978,378</u>
Business-type activities capital assets, net	<u>\$ 7,199,677</u>	<u>6,172,323</u>	<u>6,313,035</u>	<u>7,058,965</u>

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 8,921
Public Safety	70,240
Public Works	<u>20,495</u>
Total	<u>\$ 99,656</u>

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(5) Investment in Water Board

Effective January 1, 1979 a water board was formed according to an agreement between Elko County, Nevada and the City of Wendover. The agreement provides that the City will transfer its water collection system, which is located in Nevada, to the new joint water board. The water collection system transferred to the new board had a basis of \$124,887. In order to equalize the contribution between the City and Elko County, the City received \$39,000 from Elko County making a net investment in the water board of \$85,887.

(6) Long-Term Debt

Long-term debt of the utility fund consists of the following:

	Original Amount	6-30-06 Balance	Current	Long-Term
1999 Water Revenue Bonds	\$ 2,756,000	1,041,609	-	1,041,609
2003 Water Revenue Bonds	1,779,000	1,702,000	26,000	1,676,000
USDA Rural Development Bonds	510,000	494,443	5,402	489,041
		<u>\$ 3,238,052</u>	<u>31,402</u>	<u>3,206,650</u>

Maturities of June 30, 2006 long-term debt are as follows:

<u>Year ending June 30.</u>	
2007	\$ 31,402
2008	31,650
2009	31,910
2010	32,181
2011	32,465
2012-2016	167,064
2017-2021	176,397
2022-2026	188,079
2027-2031	202,703
2032-2036	143,010
2037-2041	113,926
2042-2045	<u>2,087,265</u>
	<u>\$ 3,238,052</u>

On November 3, 1999 the City issued \$3,416,000 in water revenue bonds. The proceeds of this issue are being used to construct a new waterline for the City's culinary water system. The bonds carry an interest rate of 2.14% and will be repaid from revenue derived from the operation of the City's water system. \$660,000 of the total will be treated as a "Hardship Grant" by the State of Utah Drinking Water Board and will not have to be repaid by the City. That grant will result in a net liability to be repaid of \$2,756,000. At June 30, 2006 the City was obligated for \$1,041,609 of the total bond proceeds available.

On April 23, 2003, the City issued \$1,779,000 in water revenue bonds through the Drinking Water Board of the Utah Department of Environmental Quality. These bonds have a zero percent interest rate. The City also issued \$510,000 in water revenue bonds through the Rural Development Loan Fund of the U.S. Department of Agriculture. These bonds carry a 4.5% interest rate and have a 40 year maturity.

Obligations under capital leases of the governmental activities consists of the following:

Banc One leasing - fire truck	\$ 38,564
Zions Bank - police vehicles	<u>22,714</u>
	<u>\$ 61,278</u>

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(6) Long-Term Debt - Continued

Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2006 are summarized as follows:

Year ending June 30,	Fire Truck Lease	Police Vehicle Lease
2007	\$ 10,936	6,238
2008	10,936	6,238
2009	10,936	6,238
2010	10,936	6,238
Total lease payments	43,744	24,952
Less amount representing interest	5,180	2,238
Present value of minimum lease payment	38,564	22,714
Less current portion	8,630	5,359
Portion of obligations under capital leases due after one year	\$ 29,934	17,355

Changes in general long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital leases	\$ 74,554	-	13,276	61,278

(7) Retirement Plans

Plan Description

The City of Wendover (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, all cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. In fiscal year 2006, the City contributed 22.32% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2006, 2005 and 2004 were as follows:

A. Local Governmental System - Non-contributory

	2006	2005	2004	
\$	21,424	22,724	19,568	Employer contributions.
	193,186	204,903	203,410	Salary subject to retirement contributions.

B. Utah Public Retirement System - Public Safety

	2006	2005	2004	
\$	29,014	28,818	23,297	Employer paid contributions.
	129,990	129,985	119,962	Salary subject to retirement contributions.

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(7) Retirement Plans - Continued

C. 401(K) Plan

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	2,898	3,074	3,051	Employer paid for employee contributions.

(8) Inter-fund Transfers

General fund - transfer in	\$ 70,000
Utility fund - transfer out	(70,000)

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Administrator to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1 st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1

CITY OF WENDOVER

Notes to Financial Statements - Continued

June 30, 2006

(9) Budgetary Accounting and Tax Calendar - Continued

Property Tax Calendar - Continued

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

(10) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

(11) Risk Management

The City of Wendover is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WENDOVER

Notes to Required Supplementary Information

June 30, 2006

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund and special revenue fund are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2006

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 135,700	135,700	167,156	31,456
Current year property taxes	144,370	144,370	143,336	(1,034)
Franchise tax	72,700	72,700	65,560	(7,140)
Delinquent prior years taxes	14,500	14,500	8,623	(5,877)
Transient room tax	20,000	20,000	22,846	2,846
Fee in lieu	28,300	28,300	29,210	910
Total taxes	415,570	415,570	436,731	21,161
Licenses and permits:				
Licenses and permits	15,300	15,300	15,429	129
Building permits	4,000	4,000	9,666	5,666
Plan check fee	2,600	2,600	5,743	3,143
Special surcharge	100	100	154	54
Animal licenses	1,400	1,400	1,020	(380)
Total licenses and permits	23,400	23,400	32,012	8,612
Intergovernmental:				
Class "C" roads	54,000	54,000	67,605	13,605
CDBG	-	30,000	30,000	-
State liquor allotment	1,500	1,500	1,898	398
County revenue	56,600	56,600	60,519	3,919
Other grants	-	28,619	103,619	75,000
Total intergovernmental	112,100	170,719	263,641	92,922
Charges for services:				
Police charges	1,800	1,800	1,518	(282)
Fire department charges	14,000	15,814	10,609	(5,205)
Other charges	5,230	5,230	10,284	5,054
Total charges for services	21,030	22,844	22,411	(433)
Fines and forfeitures	141,400	141,400	154,326	12,926
Other revenues:				
Interest earned	10,171	10,171	24,360	14,189
Miscellaneous	-	-	28,500	28,500
Total other revenues	10,171	10,171	52,860	42,689
Total revenues	723,671	784,104	961,981	177,877
<u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and benefits	4,200	4,200	4,200	-
Materials, supplies and services	1,700	1,700	937	763
	5,900	5,900	5,137	763
Judicial:				
Salaries and benefits	23,612	23,612	23,634	(22)
Materials, supplies and services	55,655	55,655	50,153	5,502
	79,267	79,267	73,787	5,480

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>General government- continued</u>				
City Administration:				
Salaries and benefits	\$ 33,054	37,686	33,245	4,441
Materials, supplies and services	36,417	36,417	23,443	12,974
	69,471	74,103	56,688	17,415
Non-departmental:				
Audit	12,000	12,000	11,969	31
Attorney	47,000	47,000	44,819	2,181
	59,000	59,000	56,788	2,212
Buildings and grounds:				
Salaries and benefits	51,537	51,537	45,453	6,084
Materials, supplies and services	97,763	135,683	121,248	14,435
	149,300	187,220	166,701	20,519
Total general government	362,938	405,490	359,101	46,389
<u>Public safety</u>				
Police service:				
Salaries and benefits	260,436	260,436	242,652	17,784
Materials, supplies and service	81,424	88,198	83,567	4,631
	341,860	348,634	326,219	22,415
Fire department:				
Salaries and benefits	15,535	15,535	15,510	25
Materials, supplies and services	37,644	75,850	69,665	6,185
	53,179	91,385	85,175	6,210
Animal control:				
Salaries and benefits	164	164	-	164
Materials, supplies and services	7,701	7,701	1,455	6,246
	7,865	7,865	1,455	6,410
Building inspections:				
Salaries and benefits	100	100	-	100
Materials, supplies and services	7,300	10,912	7,779	3,133
	7,400	11,012	7,779	3,233
Total public safety	410,304	458,896	420,628	38,268
<u>Public works</u>				
Roads:				
Salaries and benefits	24,299	24,299	20,111	4,188
Materials, supplies and services	29,701	38,226	14,463	23,763
	54,000	62,525	34,574	27,951
Public improvements:				
Materials, supplies and services	9,510	104,636	104,445	191
Planning and zoning:				
Materials, supplies and services	21,000	21,000	3,450	17,550
Total public works	84,510	188,161	142,469	45,692

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Expenditures - Continued</u>				
<u>Miscellaneous services</u>				
Salaries and benefits	\$ 549	549	25	524
Materials, supplies and services	<u>25,403</u>	<u>27,223</u>	<u>18,344</u>	<u>8,879</u>
	<u>25,952</u>	<u>27,772</u>	<u>18,369</u>	<u>9,403</u>
Total miscellaneous services	<u>25,952</u>	<u>27,772</u>	<u>18,369</u>	<u>9,403</u>
Total expenditures	<u>883,704</u>	<u>1,080,319</u>	<u>940,567</u>	<u>139,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(160,033)</u>	<u>(296,215)</u>	<u>21,414</u>	<u>317,629</u>
Other financing sources (uses):				
Transfers in (out)	70,000	70,000	70,000	-
Use of fund balance	<u>90,033</u>	<u>226,215</u>	<u>-</u>	<u>(226,215)</u>
Total other financing sources (uses)	<u>160,033</u>	<u>296,215</u>	<u>70,000</u>	<u>(226,215)</u>
Net changes in fund balances	-	-	91,414	91,414
Fund balance - beginning of year	<u>528,944</u>	<u>528,944</u>	<u>528,944</u>	<u>-</u>
Fund balance - end of year	\$ <u>528,944</u>	<u>528,944</u>	<u>620,358</u>	<u>91,414</u>

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund

Year Ended June 30, 2006

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Sale of lots	\$ 1,800	1,800	1,575	(225)
Burial fees	<u>1,200</u>	<u>1,200</u>	<u>1,650</u>	<u>450</u>
Total charges for services	<u>3,000</u>	<u>3,000</u>	<u>3,225</u>	<u>225</u>
Other revenues:				
Interest earned	<u>250</u>	<u>250</u>	<u>695</u>	<u>445</u>
Total other revenues	<u>250</u>	<u>250</u>	<u>695</u>	<u>445</u>
Total revenues	<u>3,250</u>	<u>3,250</u>	<u>3,920</u>	<u>670</u>
<u>Expenditures</u>				
Cemetery services:				
Salaries and benefits	645	645	-	645
Materials, supplies and services	<u>2,605</u>	<u>2,605</u>	<u>518</u>	<u>2,087</u>
Total cemetery services	<u>3,250</u>	<u>3,250</u>	<u>518</u>	<u>2,732</u>
Total expenditures	<u>3,250</u>	<u>3,250</u>	<u>518</u>	<u>2,732</u>
Excess of revenue over expenditures	-	-	3,402	3,402
Fund balance - beginning of year	<u>32,944</u>	<u>32,944</u>	<u>32,944</u>	-
Fund balance - end of year	<u>\$ 32,944</u>	<u>32,944</u>	<u>36,346</u>	<u>3,402</u>

SUPPLEMENTAL INFORMATION

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the general purpose financial statements of the City of Wendover for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2006. The City of Wendover received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the City of Wendover's financial statements.)

Safe Sidewalk Grant (Department of Transportation)
Hardship Grant (Drinking Water Board)
Public Safety Grants (Department of Public Safety)

Our audit also included test work on the City of Wendover's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property	Department of Commerce General Compliance
Tax Limitations	

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above.

In our opinion the City of Wendover complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Crane, Christensen & Ambrose P.C.

November 15, 2006

CITY OF WENDOVER

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

PROGRAM: OTHER GENERAL COMPLIANCE ISSUES

FINDING: The fund balance of the general fund is in excess of the maximum allowed by State Statute.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the excess amount be included in the current year's budget and used in the current year to bring the fund balance back within statutory limits.

CITY'S REPLY: The City will budget the excess amount or transfer it to other funds in the current year.

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the financial statements of the City of Wendover as of and for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wendover's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wendover's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Wendover's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Wendover in a separate letter dated November 15, 2006.

This report is intended for the information of the management, Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen & Ambrose P.C.

November 15, 2006

CITY OF WENDOVER

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

FINDING 2006-1: The City's small staff size does not always allow for adequate segregation of duties and responsibilities. This condition is mitigated by the fact that the City Council takes an active role in overseeing the City's operations.

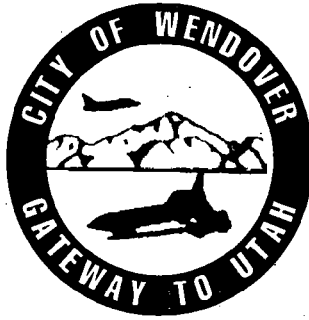
QUESTIONED COSTS: None

RECOMMENDATION: If possible, the City should hire additional employees to provide greater segregation of duties.

CITY'S REPLY: The City's small budget precludes the hiring of additional employees. The City will attempt to improve segregation of duties and will continue to have adequate oversight by the City Council.

MAYOR
Brett Shelton

CITY ADMINISTRATOR
Glenn Wadsworth



CITY COUNCIL
Ms. Gertrude Tripp
Mr. Karl Jorgenson
Mr. Mike R. Crawford
Mr. Gary Bean
Mr. Florencio Bermejo

MAY 01, 2007

MacRay A. Curtis, CPA
Director, Local Government Division
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis:

The City of Wendover is in receipt of your letter of April 5, 2007 requesting corrective action to correct the noncompliance in the financial report. Please be advised the City of Wendover is taking the following action to correct the noncompliance. Darlene Trammell, City Treasurer has set up a new Capital Project Fund. \$258,000.00 has been transferred to the new Capital Project Fund. This corrective action should place the City of Wendover in compliance. If there are additional questions, please let me know.
Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'Glenn Wadsworth'.

Glenn Wadsworth
City Administrator

cc: Jeffrey Ambrose – Crane, Christensen & Ambrose